

CORRECTED FISCAL NOTE

SB 3114 - HB 3000

April 6, 1998

SUMMARY OF BILL: Requires managed care organizations that cover pharmacy services to offer a contract to every licensed pharmacist.

ESTIMATED FISCAL IMPACT:

On March 20, we issued a fiscal note on this bill that indicated that the impact on MCOs serving TennCare enrollees would not be significant enough to cause an increase in capitation rates. This was based on the assumption that since the bill contained no requirements on MCOs to pay the same rates to all pharmacies, MCOs would be free to establish such rates. The Bureau of TennCare in the Department of Health interpreted the bill to mean that MCOs could offer contracts to pharmacies with payment rates established by the MCOs and such rates could vary by pharmacy.

In the absence of specific language addressing payment rates we believe that the bill could be interpreted to mean that MCOs will be required to pay the same rates to all pharmacies who request to become a part of the network. This will likely affect contract prices obtained by MCOs from prospective contractors since they could reasonably expect a reduction in volume if any pharmacy is allowed to join the network receiving the same payment rates as network providers.

The estimated fiscal impact is:

Increase State Expenditures - Exceeds \$1,000,000

Increase Local Govt. Expenditures*. - Exceeds \$100,000

Estimate assumes an increase in expenditures to MCOs for covered drugs, which will ultimately lead to an increase in capitation rates in the TennCare program. The amount of such increase cannot be determined but is estimated to be significant.

The bill would not directly impact the state employee health insurance plan or most local government health insurance plans, since federal law (ERISA) exempts self-insured plans. However, some increased cost may accrue to local government health care plans that are not self-funded, and to self-funded plans which use existing MCO networks.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



SB 3114 - HB 3000 (CORRECTED)

James A. Davenport, Executive Director